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SUBJECT: JORDANIAN REPLY REGARDING USG PROPOSAL TO AMEND  
CRS PROVISIONS OF AIR SERVICES AGREEMENT

REF: STATE 155586

1. (U) Embassy received on September 7 the following letter  
from Jordan's Director General of Civil Aviation Authority:

BEGIN TEXT:

Dear Mr. Eason,

With reference to your letter of August 31, 2004, concerning  
the U.S. Government proposal to amend the U.S./Jordan Air  
Services agreement by deleting Annex III of the Agreement.  
Kindly note that we are considering the above proposal with  
cautious due to the following reasons:

1. We strong believe that the Justification for keeping  
Annex III is still prevailing in the Jordanian market.
2. The Non-Discrimination clauses do serve the Jordanian  
economy and air transport in Jordan. CRS's have substantial  
market power over most airlines in the world, let alone small  
carriers operating from/into Jordan.
3. The Internet e-commerce penetration is still low in  
Jordan and in the Middle East, Credit card holders and usage  
is not comparable to US penetration. Thus Internet  
e-commerce is not yet an alternative channel for airlines to  
use in our region. Carriers are still largely dependant on  
dominant CRS's in Jordan to sell its inventory.
4. Removing Annex III opens the doors for these huge  
dominant CRS's to bias against smaller carriers in the  
following areas:
  - a. Increasing the distribution cost to smaller carriers.
  - b. Reducing distribution cost for larger carriers and giving  
them an extra advantage.
  - c. Display bias with large carriers and against smaller  
carriers whereby, large carriers can give priority for their  
services to be shown in the first display, which is in this  
case gives them a better chance to attract more passengers.
  - d. Display bias used in a travel agency dominant channel  
will also affect customers and they will end up manipulated  
through the dominate large Airlines or GDS's.

Based on the above mentioned you are kindly requested to  
advise us the reasons to delete the Annex in question.

With my best personal regards

Sincerely yours,

Hanna Najjar

Director General

Civil Aviation Authority

END TEXT.

2. (SBU) COMMENT: The above draft was formulated primarily by  
the state-owned Royal Jordanian Airlines. Their initial  
position on the deletion was very negative, but the CAA DG  
softened the response, partially in response to Post's advice  
that other Open Skies partners had responded positively and  
none had so far responded negatively. Nonetheless, RJ will  
likely require some strong reasons for the deletion before  
surrendering what they feel to be a protection for a  
disadvantaged airline already on the edge.

HALE